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Iran at a Strategic Crossroads

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A series of external and domestic challenges, chief among them the decision by President Donald Trump to withdraw from the Joint Comprehensive Plan of Action and renew the sanctions against Iran, will force the Iranian leadership to make pivotal strategic decisions within the coming months. Thus far, the Iranians have acted with restraint and have refrained from making material policy changes in an attempt to contain the damage. Presumably Iran would have no strategic advantage in abandoning the nuclear agreement. However, the ability of the Rouhani government to maintain its policy and earn the support of the Supreme Leader depends largely on exogenous developments over which Iran has limited influence. It likewise depends on its ability to deflect the efforts by hawkish elements in the Iranian political system to exploit this new reality in order to promote an alternative agenda.

In recent months, Iran has faced a series of external and domestic challenges that undermine the strategic stability at the foundation of the policy pursued by the Iranian leadership since the Joint Comprehensive Plan of Action (JCPOA), also known as the Iran nuclear deal, was reached. First and foremost, the decision by President Donald Trump to withdraw from the JCPOA and to reinstate primary sanctions as well as secondary sanctions obligates the Iranian leadership to change its paradigm and revert from a reality of agreement to a reality of confrontation. It is clear to Tehran, even against the backdrop of the American strategy that led to the Singapore Summit, that the US administration is determined to intensify the pressures on Iran in an effort to force it to at least accept new conditions that differ materially from those achieved within the scope of the JCPOA, and at most, to bring about regime change.

In addition, since December 2017 the Iranian leadership has faced domestic unrest, characterized by demonstrations and strikes throughout the country in response to the ongoing economic deterioration. In the last six months, most of the strikes have been local and the urban middle class has not joined the protesting working class. The regime has had considerable experience contending with demonstrations, and to date, it has been successful in containing them. Nevertheless, there is no doubt that the persistence of these demonstrations, their spread to the bazaar in Tehran and to other cities, the shouts of “death to the Leader,” and the demands to terminate the investments in Syria, Lebanon, and the Gaza Strip and invest in Iran instead, all attest to the emergence of a

new and intense development in the ongoing confrontation between the Iranian public and the regime.

At the same time, pressures on Iran are rising in the regional arena, in the various operating theaters in the Middle East. In Syria, Israeli pressure is increasing through continuous strikes on Iranian infrastructures and manpower with the aim of undermining Iran's consolidation of power in the country. The rifts between Tehran and Moscow are widening; this was especially evident when Moscow clarified recently that foreign forces, including those of Iran, will eventually be withdrawn from Syria. In addition, specific action has been taken by the Gulf coalition, led by the United Arab Emirates and Saudi Arabia, with the assistance of the United States, to bring an end to the control of the Iranian-allied Houthis over the strategic port city of Hodeida in Yemen.

The Iranians have conducted themselves with restraint in face of the challenges in its domestic and regional arenas and in relation to the nuclear issue, and to date have refrained from making material policy changes and have focused instead on efforts to limit the costs, given the current circumstances. Thus far, Iran has refrained from any harsh response to Israel's actions in the Syrian arena; in its domestic arena, the regime is trying to contain the demonstrations without using violent measures that would result in casualties; in relation to the nuclear agreement, President Hassan Rouhani continues to claim that Iran's decision to abide by its commitments under the JCPOA has torpedoed the US strategic attempt to prompt an Iranian reaction to withdraw from the agreement. Tehran hopes to widen the gap between European parties to the nuclear agreement and the United States, thereby isolating the American administration, while preserving the support from Russia, China, and Europe.

A fierce argument over these three issues is underway in Iran between President Rouhani's camp, which accuses members of the conservative faction of inflaming the internal tensions resulting from the economic situation, and in return, the more traditional bloc is accusing the government of being incapable of guaranteeing continued economic cooperation with Europe. Officials affiliated with the Revolutionary Guard Corps and close to Supreme Leader Ali Khamenei are exploiting this situation in order to challenge the government and demand its resignation. Some have even gone so far as to propose appointing a military commander to head the government. As in the past, the internal dispute in Iran is not about "what" – preserving the regime stability and avoiding risks – but about "how," waged between the hawkish elements that view the lack of response as a show of weakness and vulnerability to additional pressures, and the elements that believe that a moderate policy is the only way to mitigate risks and guarantee that Iran's interests are protected.

The Rouhani government's ability to continue its policy and win the backing of the Supreme Leader is largely contingent upon exogenous developments over which Iran has extremely limited influence. First and foremost, Iran is dependent upon the success of European countries in ensuring that the US sanctions will not deal a mortal blow to trade with Iran. The European leaders – Angela Merkel, Theresa May, and Emmanuel Macron – continue to declare that they intend to continue cooperating with Iran, and are also taking economic measures at a state level to ensure businesses can continue operating in Iran. However, the private sectors in these countries are guided by economic considerations, and therefore, many companies and banks that are connected to the US economy have already frozen their operations in Iran and clarified that they will resume them only if they receive an “exemption” from the US administration. But these “exemptions” are not expected to be given. Concurrently, the American administration is intensifying its pressure on European countries to gradually discontinue imports of Iranian oil, while applying pressure on Saudi Arabia to increase oil production. These developments – even before the reinstated sanctions come into effect (some will come into effect in August, and the rest in November) – question the Rouhani government's ability to continue claiming over time that all partners to the nuclear agreement, apart from the United States, are interested in continuing the agreement and are taking actions in the spirit of the agreement.

Other developments that could have repercussions on Iran's conduct relate to Trump's summit with North Korean leader Kim Jong-un. The very convening of the summit and the latent possibility that North Korea might even partially relinquish strategic capabilities, including nuclear capabilities, threaten Iran's ability to adhere to its policy. On the other hand, Trump administration concessions to North Korea might strengthen the assessment among Iran's pragmatic decision makers that the administration is motivated to show achievements, and perhaps Iran should consider the possibility of opening a dialogue with the administration. It is also possible that the hard-liners in Iran might present the outcomes of the Trump-Kim summit as proof of the righteousness of their argument and their belief that Iran should take swift action to achieve nuclear capabilities so that the international arena will be forced into facing a *fait accompli*. However, Iran is far from achieving the ability to manufacture a nuclear weapon and therefore, should it opt for this route, it is liable to place itself in jeopardy of a military attack. Within this context, Iran's assessment of the seriousness of the United States' intention of taking military action against it is of critical importance. The statements by Secretary of State Mike Pompeo, whereby the threat of intensifying the American measures in response to a resumption of the Iranian nuclear program does not relate to military courses of action, but rather, refers to intensified economic sanctions against it, could be considered lenient. Pompeo even differentiated between Iran spinning “a couple of extra centrifuges” and actions toward implementing a weapons program. In contrast,

National Security Advisor John Bolton, known for his support of regime change in Iran - including through use of the military option - is aligned with President Trump's more stringent stance.

Iran's regional policy in the Syrian context achieved the support of President Assad himself for Iran's continued presence in the country – although publicly, Assad still adheres to the Iranian terminology by clarifying that at issue are advisors only. For their part, Iranian officials are currently declaring once again – even against the backdrop of domestic complaints about the economic investments involved in providing military assistance to Syria – that there is no Iranian intention of leaving Syria as long as the “war against terror” continues, which they present as serving the purpose of defending Iran itself. However, Russian statements implying a future need for Iranian forces to leave Syria, and the inclusion of this point among the 12 demands that Pompeo presented in his speech “After the Deal: A New Iran Strategy,” as well as the contacts prior to the summit meeting between Trump and Putin, underscore the questions in Tehran with regard to the Russian policy and raise a concern about a Russian-American deal, at Iran's expense.

At this stage, it appears that the Iranian interest will be to continue upholding the nuclear agreement, since it will not gain any strategic advantage by abandoning it; on the contrary, abandoning the JCPOA would only play into the hands of the United States and harm the relations between Iran and Europe. Within this context, there is a convergence of interests between Iran and Europe, and certainly with Russia and China, that is prompting the parties, including Iran, not to rush to declare the failure of the efforts to preserve the nuclear agreement and thus lead to its complete collapse. The Iranian regime will also strive to demonstrate restraint in its domestic arena and avoid a deterioration to violence. At the same time, it will likely continue preparing for the economic hardships expected in the wake of the renewed sanctions, and it has already begun taking steps in this direction. In the final analysis, the most important goal of the Iranian regime was and still is to safeguard its survival and avoid risks to its stability, and this can be expected to dictate its decisions in relation to each of the challenges that it faces.